

**OPI** Office of Public Instruction  
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# Basics of School Funding

by Madalyn Quinlan, Chief of Staff

This Powerpoint presentation is available on the OPI website at <http://www.opi.state.vt.us/schoolfinanceforms.html>.

## School Finance Overview

1. Budgeted/Non -budgeted Funds

2. Funds:

- Governmental
  - General Fund
  - Special Revenue
  - Debt Service
  - Capital Projects
- Proprietary
- Fiduciary



## Budgeted/Non-Budgeted Funds

1. Budgeted Funds

- District trustees adopt expenditure budget annually
- Revenue includes tax levies
- Examples:
  - General
  - Transportation
  - Retirement



## Budgeted/Non-Budgeted Funds

2. Non-Budgeted Funds

- District can spend up to cash balance in fund
- No tax revenue
- Examples:
  - Food Service
  - Miscellaneous Programs
  - Extracurricular



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## General Fund

- Authorized by 20-9-307, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



## Principles of Equalization

Basis for HB 667 (L.1993)

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities
- Once a district is within the equalized "window," it must stay within the window

## ANB = Average Number Belonging

FALL ENROLLMENT  
(1st Monday in October)

Less ½  
Kindergartners

Less ½ part-time  
students

SPRING ENROLLMENT  
(February 1)

Less ½  
Kindergartners

Less ½ part-time  
students

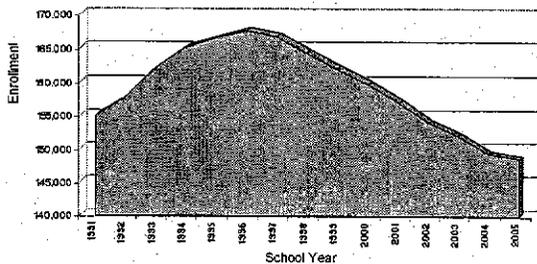
Total of 2 counts

Divided by 2

$$\text{Times } 180 + \text{PIR Days} = \text{ANB}$$

180

K-12 Student Enrollment  
Montana School Years 1991-2005



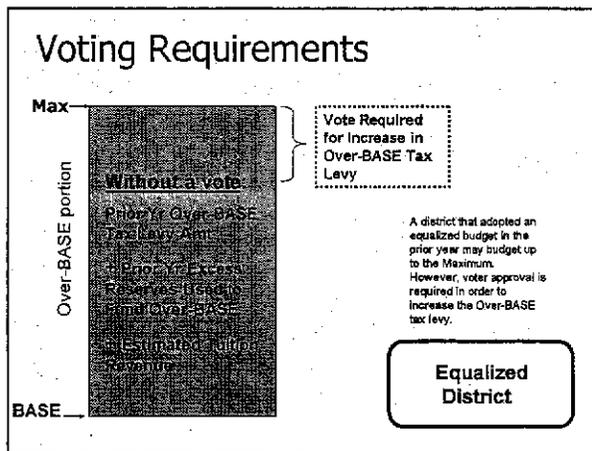
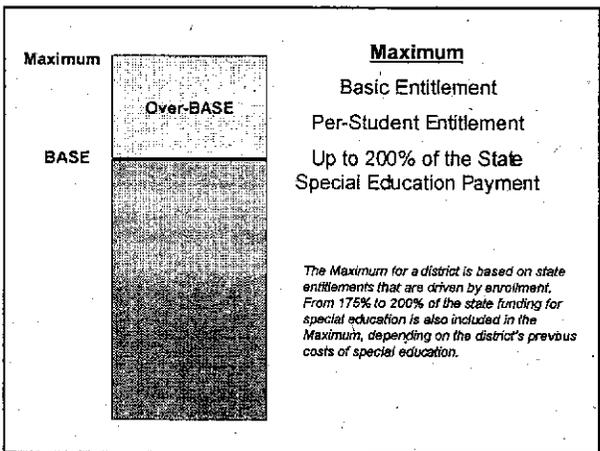
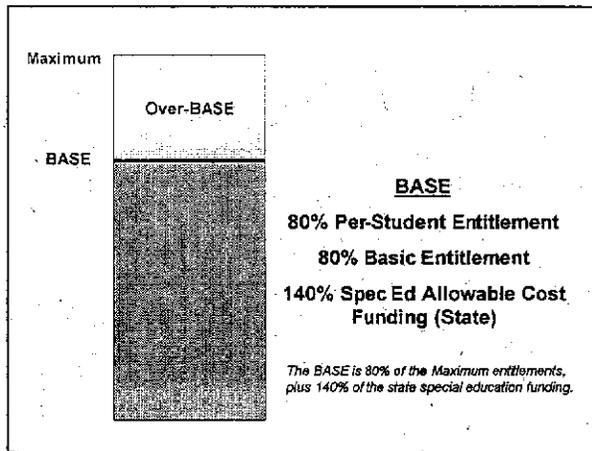
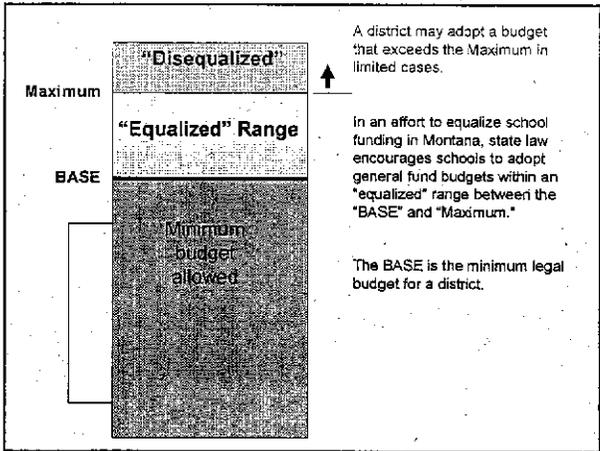
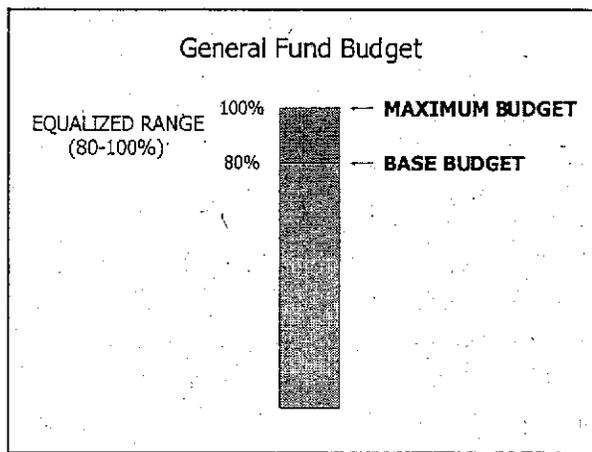
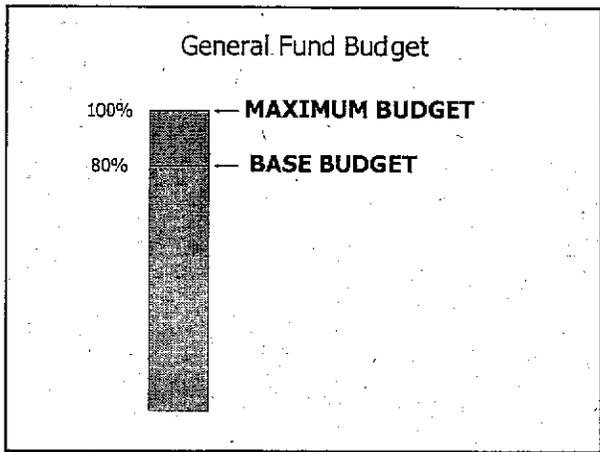
## Budget Elements

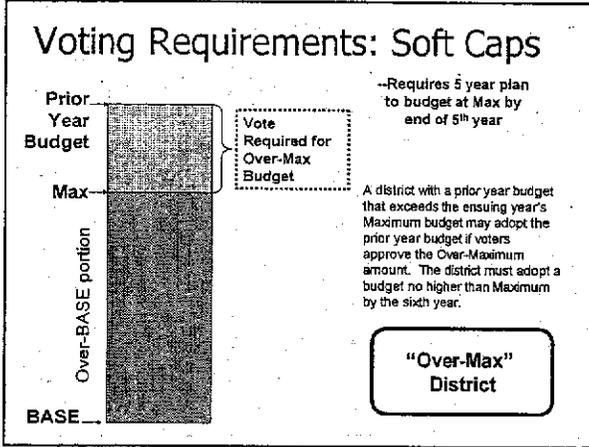
- Basic Entitlement  
\$\$ per District
- Per Student Entitlement  
\$\$ per student
- State Special Education Payment
- Local Special Education Payment

## Budget Elements (FY 05)

- \$\$ per District
  - Elementary \$ 19,859
  - High School \$220,646
- \$\$ per Student
  - Elementary
    - \*\$4,031 - .20/ANB to 1,000 ANB
  - High School
    - \*\$5,371 - .50/ANB to 800 ANB
- Special Education Block Grant
  - Instructional \$129.65/ANB
  - Related-Services \$ 43.21/ANB

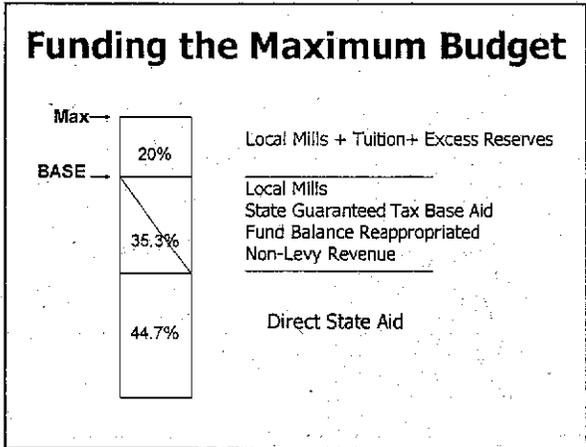
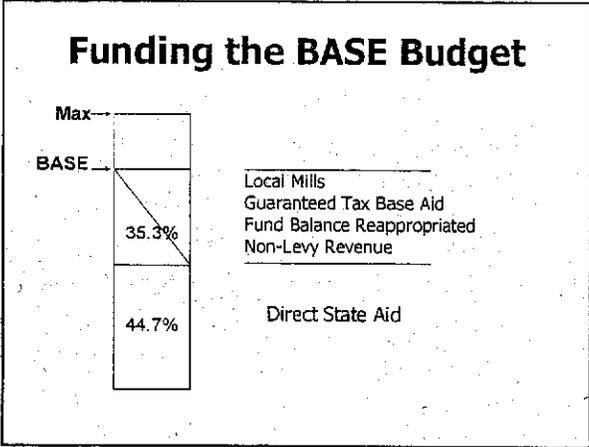
\$\$ per District			_____
\$\$ per Student	+		_____
200% of Spec. Ed. \$\$ per Student		+	_____
		=	
<b>MAXIMUM BUDGET</b>			<b><u>100%</u></b>





### Trend since 1995 Number of Districts

Percent Group	1996	1997	1998	1999	2000	2001	2002
Below Base	106	41	0	0	0	0	0
At Base	70	84	112	93	76	62	59
< 50%	129	123	98	96	92	57	46
90 to 97%	60	82	79	72	68	64	68
97 to Max	48	96	138	147	128	122	147
Over Max	58	37	29	38	80	133	116
<b>Grand Total</b>	<b>471</b>	<b>467</b>	<b>388</b>	<b>446</b>	<b>444</b>	<b>419</b>	<b>436</b>



- ### How Guaranteed Tax Base Works
- State Taxable Value \$1,700,273,077 (2003)
  - State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$18.36 of taxable valuation at the elementary level and \$28.05 at the high school level to fund that budget.
  - The GTB level is recalculated each year.

### Example: Havre Elementary

FY 05 GTB Ratio	
Elementary districts:	\$18.36
Havre Elementary	
GTB Budget area:	\$ 1,931,192
Taxable Valuation:	\$ 14,671,381
Guaranteed Tax Base:	\$ 35,996,604
FY06 GTB subsidy/mil:	\$ 22,325

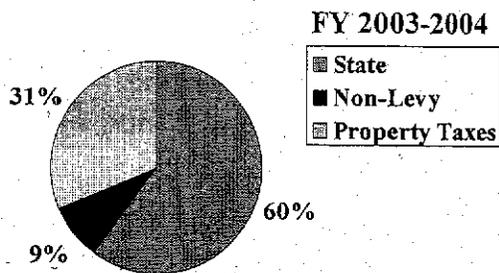
## Non-Levy Revenue:

- Schools must budget non-levy revenue
- Must include non-levy revenue BEFORE levying property taxes
- Examples of non-levy revenue include:
  - Investment earnings
  - State Reimbursements (for tax law changes)
  - Oil, gas and coal payments

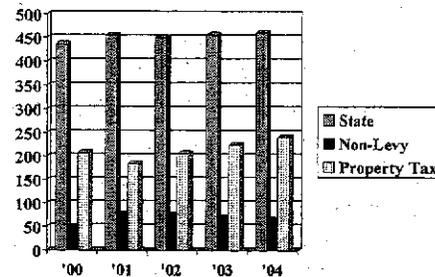
## Fund Balance Reappropriated

- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year BEFORE property taxes may be levied

## School General Fund Revenues



## School General Fund Revenues



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## Special Revenue Funds

**Purpose:** Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



## Special Revenue Funds

**Transportation Fund:** For financing the maintenance and operation of district's school buses, private carrier contracts, and any amount necessary for the purchase, rental, or insurance of school buses or operation of the transportation program.



## Pupil Transportation

- County transportation committee approves bus routes
- Each district calculates its transportation cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy for 50% of on-schedule costs
- State pays remaining 50% of on-schedule costs
- District levies excess on district taxpayers
- Levy is made permissively (no vote)

## County Retirement

- Funds school district cost of employee retirement
- Each district calculates cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy
- Levy is made permissively (no vote)
- State guaranteed tax base supports mills

## County Retirement Guaranteed Tax Base Aid

- County property tax levy is matched by state GTB aid
- Supported by guaranteed tax base
  - State mill value per ANB guarantee
  - Rich counties get nothing
  - Each EL mill raises \$20.68/ANB (FY05)
  - Each HS mill raises \$41.15/ANB(FY05)

## Other Special Revenue Funds

### Budgeted:

- Bus Depreciation: Financing replacement buses
- Tuition: Costs of students who attend school outside their district
- Others

## Other Special Revenue Funds

### Non-Budgeted:

- Food Service: School food service operations
- Miscellaneous Programs: Local, state, and federal grants and reimbursements
- Technology Fund: Purchase and maintain tech equipment and provide tech training
- Others

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## Debt Service Funds

### Debt Service Fund:

- Principal, interest on bonds and Special Improvement Districts (SIDs)
- Bond proceeds
- Budgeted fund with permissive levy

### Judgment Fund:

- Rarely used

## School Facilities Payments

- Available to districts that have sold general obligation bonds
- Debt service mills are matched by state aid in low-wealth districts
- State support is capped
- EL mill value/ANB \$23.93 (FY05)
- HS mill value/ANB \$47.61 (FY05)
- \$8.41 million is appropriated (FY05)

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## Capital Projects Funds

### Building Fund:

- Insurance proceeds, federal funds, and property sold by district for building and construction projects
- Some bond proceeds
- Non-budgeted fund

### Building Reserve Fund:

- Voter-approved building or construction projects
- Budgeted Fund

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## Proprietary Funds

Used to account for a school district's ongoing organizations and activities which are similar to those often found in the private sector.

- Enterprise
- Internal Service

## Proprietary Funds

### Enterprise Funds

- Provide services primarily to customers outside the district
- Cost of programs recovered entirely through fees and charges
- Examples:
  - Day Care/Preschool
  - Industrial Arts

## Proprietary Funds

### Internal Service Funds

- Provide services primarily to customers within the district
- Accumulate costs related to a program for subsequent distribution within the district
- Examples:
  - Data Processing
  - Purchasing

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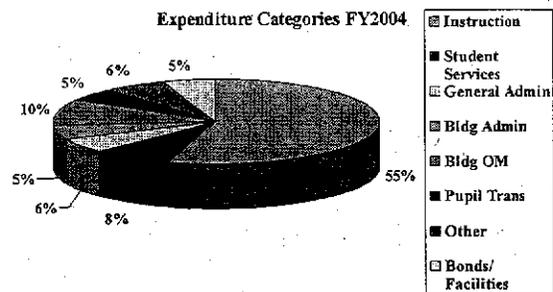
## Fiduciary Funds

Used to account for assets held by a school district in a trustee capacity for another entity

### Examples

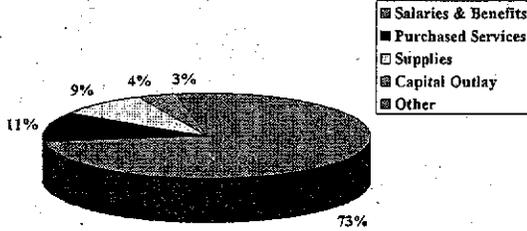
- Extracurricular activities
- Health Self-Insurance
- Cafeteria/Flex Plan

## EXPENDITURE "FUNCTION"



### EXPENDITURE "OBJECT"

Expenditure Category FY2004



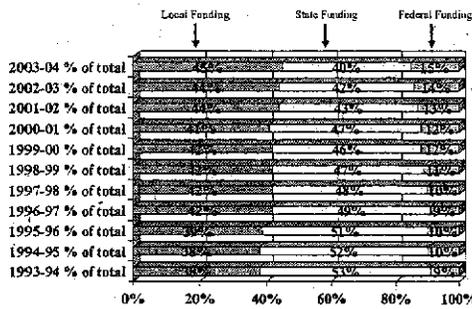
### Montana Ranks #27 for Per Pupil Expenditure



*Rankings & Estimates: Rankings of the States 2003 and Estimates of School Statistics 2004*  
National Education Association

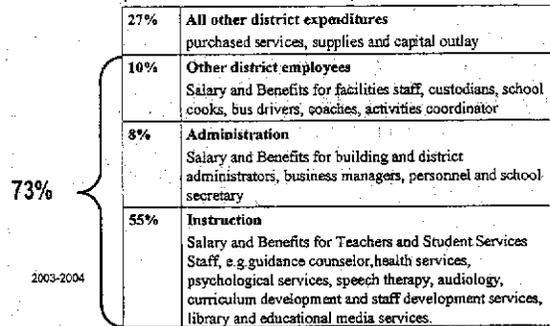
	Expenditure
Wyoming	\$9,246
United States	\$7,920
Montana	\$7,368
South Dakota	\$6,924
North Dakota	\$6,547
Idaho	\$6,378

### Local taxpayers are picking up an increasing share of school funding

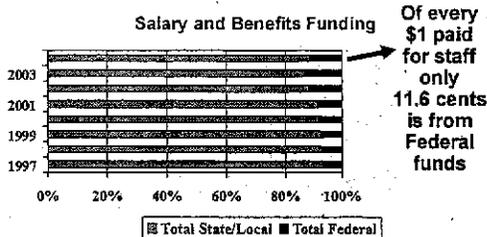


This chart shows revenues for all school funds

### Salary and Benefits are 3/4ths of all School Expenditures

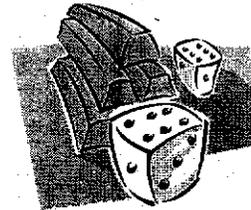


### Federal Share Provides Little Support for Teacher Salaries

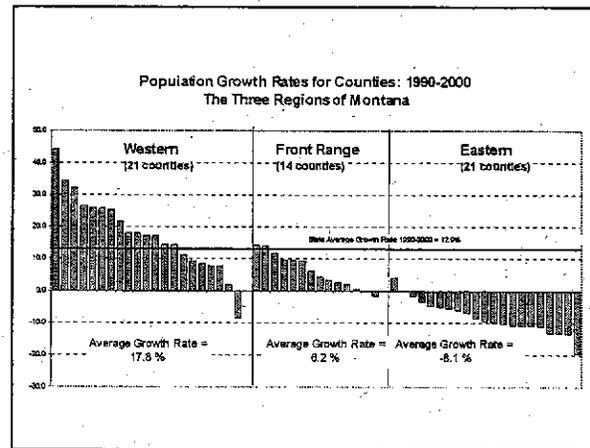
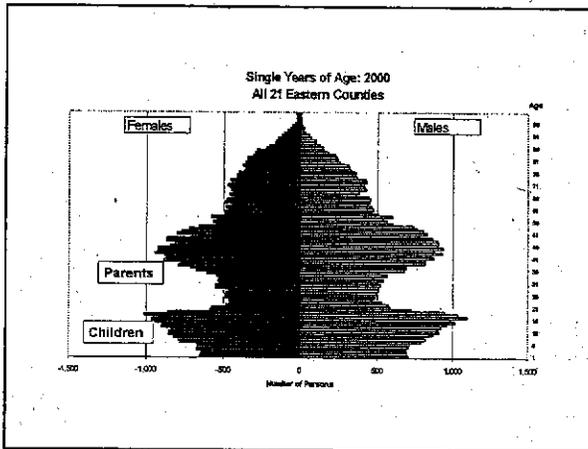


### Lottery funds are no longer a revenue source for education

- **1986** Legislative Referendum 100, the Montana State Lottery Act, passes by **69 percent of the popular vote**, carrying each of the 56 counties. Lottery profits to go to **Teachers Retirement Fund** for the purpose of holding the line on or reducing property taxes.
- **1989** Lottery profits allocated to state equalization aid for schools
- **1991** Lottery profits allocated to the state general fund







## Summarizing the Facts About Declining Enrollments

- Age structure and overall population decline result in fewer students and smaller budgets
- Most severe declines are in Eastern Montana
- Montana schools are noticing a shift toward a greater number of older students who are more costly to educate
- Enrollment declines are recent and will reverse as the "Echo Boom" enters the childbearing years

